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RUEHAH/AMEMBASSY ASHGABAT 2550  
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SIPDIS

SIPDIS  
SENSITIVE  
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E.O. 12958: N/A  
TAGS: [ETRD](#) [BEXP](#) [ECON](#) [PINR](#) [UZ](#)  
SUBJECT: KARIMOV PRESSES UZBEKS TO BUY LOCAL

SENSITIVE BUT UNCLASSIFIED -- PLEASE PROTECT ACCORDINGLY.

[1](#)1. (U) On December 18, President Karimov issued a decree increasing excise taxes on imported goods. It appears Karimov's rationale behind the taxes, ranging from five to 200 percent, is to protect the domestic market by encouraging import substitution, and conserve hard currency reserves by dissuading currency conversion.

[1](#)2. (U) In 2006, excise taxes accounted for approximately 12.6 percent of the total Uzbek budget revenue. Post estimates the average increase in excise taxes for 2007 is 15 percent.

2007 Excise Taxes on Selected Imports:

Good:           Excise Tax (percent):

Meat and poultry sub-products	70
Apples, pear, quince	100
Cotton seed oil	50
Chewing gum	70
Ice cream, ice products	200
Sugar	30
Vodka	85
Pet food	70
Cotton fiber, yarn and thread	10

(Note: While Uzbekistan is a major producer of cotton, it still imports cotton products for its textile industry; hence, the low excise tax. End note.)

[1](#)3. (SBU) Comment: The government is prohibitively taxing imported consumer goods in order to add considerably to state revenue and protect domestic industries. Meanwhile, consumers pay higher prices for a reduced selection of products. The government has limited hard currency reserves and seeks out all opportunities to restrict currency conversion. If the demand for imported goods falls, the demand to convert soum into dollars will lessen. This policy prejudices import/export businesses that rely on converting soum into dollars; the majority of small foreign companies in Uzbekistan are import/export businesses.

Purnell